

Four in five eurozone banks pass ECB health test

AFP, Frankfurt

A large majority of eurozone banks were given a clean bill of health Sunday by the European Central Bank, fuelling hopes that a major cause of economic uncertainty could soon be eliminated, analysts said.

In the most in-depth and stringent audit of eurozone banks ever undertaken -- aimed at preventing a repeat of the crisis that nearly led to the euro's collapse -- the ECB found that 25 out of a total 130 banks had a combined capital shortfall of 25 billion euros (\$31 billion) at the end of 2013.

However, of those, 12 banks have already since made up 15 billion euros of the shortfall, leaving 13 banks with a hole in their combined balance sheets of around 10 billion euros.

And that is a small figure compared with total banking assets of 22 trillion euros in the single currency area, analysts said.

"A period of stress and uncertainty ends for eurozone banks with the end of the exercise," said Berenberg Bank economist Christian Schulz.

"You can say the banking sector is in good health, generally," said Damien Leurent of the Deloitte financial consultancy.

The need for the ECB's milestone comprehensive assessment -- carried out before the central bank assumes the role of European banking supervisor on November 4 -- has become more pressing in recent weeks.

Fears of deflation and a possible new recession in the region have increased as economic growth stalls in its biggest economies.

However, no major lender in any of the 19 countries under



AFP

Eurogroup President and Dutch Finance Minister Jeroen Dijsselbloem reacts on the results of the comprehensive stress tests of European banks published by the ECB and the European Banking Authority at the Dutch Ministry of Finance in The Hague, The Netherlands, on Sunday.

review -- the eurozone plus Lithuania -- flunked the ECB's unprecedented year-long test.

Among those that did fail, nine were in Italy, including Banca Monte dei Paschi di Siena and Banca Popolare di Milano, three were in Greece and three in Cyprus.

Banks with shortfalls must prepare capital plans within two weeks and have up to nine months to cover the gaps.

In Rome, the Bank of Italy insisted that most of the nine Italian banks had already taken measures to address their capital shortfalls and the results "confirm the solidity of the banking system

as a whole in Italy".

In Spain, where just one bank, Liberbank, failed, the Spanish central bank said the findings underlined the success achieved by Spanish banks in getting themselves back on a sound footing.

In Austria too, only one bank, OeVAG, fell through the cracks, and the finance ministry there said it had "already begun structural measures and thereby created the conditions for its stabilisation. All in all the results show that in recent years Austria's banks have become more crisis-resistant."

In Germany, where a lesser known bank called Muenchener

Hypotheekbank failed, Finance Minister Wolfgang Schaueble said the results "confirm my impression that German banks have done their homework".

The ECB itself believed the audit "will boost public confidence in the banking sector," its vice president Vitor Constancio told a news conference.

"This should facilitate more lending in Europe, which will help economic growth."

In Brussels, too, the European Commission praised the tests, saying they would "provide a high level of transparency on EU banks' balance sheet".

Daniele Nouy, who heads the new single supervisory body within the ECB, said that "we have achieved a lot in this comprehensive assessment. But at the same time, it is just a starting point for a new task under banking supervision."

The capital shortfalls did not look large enough to cause major concern for any eurozone member state, noted Berenberg's Schulz.

"The good news is that the banks which passed -- the great majority after all -- can now take a deep breath and hopefully concentrate on their core business of funding the real economy. We expect the test to boost banks' appetite to lend gradually," he said.

The key task now will be to prove that the test was tough enough and that anything that was missed can be quickly resolved, the expert added.

Previous banking stress tests in Europe, the latest in 2011, failed to expose serious problems in a number of key financial institutions. In fact, some were given a clean bill of health only to need rescuing just months later.

IHS Global Insight economist Howard Archer said it would be a "very welcome and positive development if the ECB's bank stress tests really do bolster confidence in the eurozone's banking sector".

"But this will by no means be sufficient in itself to turn around the eurozone's currently poor economic fortunes," he cautioned.

"There remains a pressing need for a greater policy focus on growth in the region, underpinned by genuine commitment to structural reform. An easing of global geopolitical tensions and economic uncertainties would also be helpful to business confidence across the eurozone."

German Amazon workers called to strike in pay dispute

REUTERS, Frankfurt

Labour union Verdi has called on workers at online retailer Amazon to go on strike at five locations across Germany, as a row over pay and conditions continues.

Verdi said in a statement it had called workers to strike at distribution centres in Bad Hersfeld, Leipzig, Graben, Werne and Rheinberg.

Workers at Bad Hersfeld, Leipzig and Graben will go on strike from Monday to Wednesday, while workers at Werne will strike Monday and Tuesday.

Amazon employs a total of 9,000 warehouse staff at nine distribution centres in Germany, its second-biggest market behind the United States, plus 14,000 seasonal workers.

Verdi wants Amazon to raise pay for workers at its distribution centres in accordance with collective bargaining agreements across the mail order and retail industry in Germany and has organised several stoppages over the past year.

Amazon, however, has rejected the demand, arguing that it regards warehouse staff as logistics workers and says they receive above-average pay by the standards of that industry.

Canon raises profit forecast on weak yen

AFP, Tokyo

Japan's Canon on Monday boosted its full-year profit forecast, saying that a weak yen was offsetting tepid demand for its digital cameras and printers.

The firm now expects a net profit of 250 billion yen (\$2.3 billion) this year, up from an earlier 240 billion yen forecast, on slightly lower sales of 3.74 trillion yen.

Also Monday, Canon booked a 12.3 percent rise in net profit to 186.7 billion in the nine months through September, while operating profit rose 8.7 percent to 265.0 billion yen. Sales slipped 1.1 percent from a year ago to 2.67 trillion yen, it said.

"Corporate demand for multifunction printers will likely continue growing at a moderate pace," Canon said in a statement. "While sales of SLR (single-lens reflex) cameras in Europe and Japan may remain subdued, demand in the United States and China are expected to recover," it added.

Since late 2012, the yen has dropped from around 80 against the US dollar to the 108 level in Monday forex trading. A cheaper currency helps make Japanese exporters more competitive overseas and inflates their repatriated earnings in yen terms.

Canon and Japanese rivals including Sony and Olympus have seen a big drop in demand for their digital imaging products as camera-equipped smartphone sales boom.



Three models of China's Xiaomi Mi phones are displayed at their launch in New Delhi, India. The Chinese smartphone maker Xiaomi Inc said yesterday it plans to set up a data centre in India next year to store local user data, as the fast-growing company seeks to deflect concerns about privacy that could hamper its efforts to expand overseas.

REUTERS/FILE

Hindustan Unilever sees weak consumer spending

REUTERS, Mumbai

Hindustan Unilever Ltd, controlled by consumer goods giant Unilever Plc, warned India's consumer spending will remain weak as the economy sags after its own profit rose 8 percent on robust sales of soaps and detergents.

Net profit rose to 9.88 billion rupees (\$161 million) for the three months to Sept. 30 from 9.14 billion rupees a year earlier, Hindustan Unilever said in a statement on Monday. The company is two-thirds owned by its Anglo-Dutch parent,

and plays a key role in Unilever's Asia operations.

Hindustan Unilever said fiscal second-quarter sales growth outstripped the broader market, but the profit number was exactly in line with an average of estimates from analysts polled by Reuters. The weak demand forecast helped send the company's shares sharply lower and pointed to future headaches for Unilever, already hit by slowdown in emerging markets which generates more than half its sales.

"We see the market continuing to remain soft. While we are conscious

of this near-term concerns, we remain positive on a medium- to long-term outlook of our country's fast-moving consumer goods market," finance chief PB Balaji told reporters on a conference call.

Hindustan Unilever shares closed 5.1 percent lower after the results, its biggest single-day fall since January 2011, with some dealers saying its unit sales volume growth of 5 percent was below their expectations. The company has been hurt in recent quarters by weaker consumer demand in an economy that grew less than 5 percent in the past two fiscal years.

Samsung Electronics scales back LED lighting business

REUTERS, Seoul

Samsung Electronics Co Ltd said on Monday that it will cease its light emitting diode (LED) lighting business outside of South Korea, scaling back what was identified as a key growth business four years ago.

LED, rechargeable cells for hybrid electric cars, solar cells, medical devices and biopharmaceuticals were five areas singled out by the Samsung Group in 2010 as new growth drivers for the conglomerate.

At the time, the group forecast the businesses would generate 50 trillion won (\$47.5 billion) in annual revenues by 2020 for its affiliates including Samsung Electronics.

But Samsung Electronics has struggled to gain traction in the LED lighting market, failing to loosen the grip of established rivals such as Philips and Osram in advanced markets while facing mounting

margin pressures from Chinese competitors in emerging markets.

"We will remain active in the LED industry through our LED component business," Samsung Electronics said in an emailed statement, adding that it will focus on areas such as backlighting for displays of consumer products like televisions.

Samsung Group affiliates have seen limited returns so far from the five new growth areas.

While Samsung SDI Co Ltd is supplying German premium automaker BMW with electric vehicle battery cells, Samsung companies have struggled to generate significant revenues from other businesses such as solar cells.

Analysts and investors have said developing or identifying new growth drivers will be a key test for Jay Y Lee, heir-apparent of Samsung Group, as his father, group patriarch Lee Kun-hee, remains hospitalised following a May heart attack.

China, Singapore to start direct currency trading

AFP, Shanghai

China will begin trading its yuan currency directly with the Singapore dollar on Tuesday, the national foreign exchange market operator said, in the latest move to promote international use of Beijing's unit.

The Singapore dollar will be added to the China Foreign Exchange Trade System's (CFETS) platform, which currently offers transactions between the yuan and 10 foreign currencies, it said Monday.

The market operator will publish a daily parity between the yuan and the Singapore dollar based on quotes from market makers and allow the currency to move three percent on either side of the central midpoint, CFETS said in a statement on its website.

It added the move is intended to "promote the bilateral trade and investment between China and Singapore, facilitate the use of (yuan) and (Singapore dollar) in the cross-border trade and investment settlement (and) meet the needs of economic entities to lower currency conversion cost".

China has long had direct currency trade with the United States, and in recent years has added the Japanese yen, the Australian dollar, the New Zealand dollar and the Malaysian ringgit.

Fujifilm's Ebola drug stresses new face of Japan Inc

AFP, Tokyo

Fujifilm's potential as a major player in the fight against the Ebola virus underscores a move by some of Japan's best-known firms to reinvent their businesses as demand for traditional products falls away.

Last week, the company once synonymous with cameras and photo booths said it was increasing supply of its drug Avigan, which has been given to several patients who were evacuated from Ebola-hit West Africa to Europe.

The firm said it has enough Avigan tablets -- approved as an influenza drug in Japan -- to treat 20,000 people and enough of its active ingredient for 300,000 more treatments.

Some research papers report that Avigan has been effective in testing with mice, the company said, while the governments of France and Guinea are planning to conduct clinical trials in mid-November.

If the drug proves effective against a virus that has killed nearly 5,000 people, it would burnish Fujifilm's credentials in the pharmaceutical field.

It would also lend support to its broader move into a range of sectors -- including cosmetics, dietary supplements and medical equipment -- after demand for camera film plummeted a decade ago. "Fujifilm has been reborn as a company that will change the future across six fields of business," chief executive Shigetaka Komori said in a message to mark the firm's 80th anniversary this year.

But the shift from pictures to pills is not unique among Japan's manufacturing giants as fierce competition from lower-cost rivals, a shrinking domestic



AFP

Two women walk past the entrance of Japan's Fujifilm headquarters in Tokyo yesterday.

market and out-of-date products push them into new businesses.

Sony has leveraged its expertise to meet demand in medical science, incorporating technology usually found in Blu-Ray disc readers into the design of a new cell analysis device used in cancer and stem cell research.

Panasonic has also tried its hand at medical machinery, while Toshiba has gone one step further by opening its own hospital in central Tokyo that is kitted out almost entirely with its own-brand machinery and equipment.

"As the market environment

changed, it was natural for Japanese companies to move into new fields in place of their core businesses," Yasuhiro Nakazawa, senior analyst at SMBC Nikko Securities, told AFP on Monday.

"And the health care and medical sector is promising, especially in Japan where the ageing population is boosting demand."

It is not only electronics companies which have decided to dabble in the medical market. The sector has also attracted companies more usually associated with products that are frowned upon by doctors.



REUTERS/FILE

A sales assistant uses her mobile phone next to the company logos of Apple and Samsung at a store in Hefei, Anhui province.